

## Message Text

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LIMITED OFFICIAL USE BUCHAREST 2498

E.O. 11652: N/A

TAGS: ETRD, EIND, BGEN, RO

SUBJECT: CUMMINS ENGINE PROJECT-ROMANIA

REFS: A. BUCHAREST 2373; B. STATE 117448

1. MINISTRY OF FOREIGN TRADE CALLED IN EMBASSY ECONOMIC OFFICER JUNE 10 TO PRESENT STATUS REPORT ON CUMMINS PROJECT. EMBASSY WOULD APPRECIATE DEPARTMENT CONVEYING SUBSTANCE TO CUMMINS VP'S JOHN HACKETT OR RAY BOLL BY PHONE SINCE THERE IS NO INDICATION THAT ROMANIANS HAVE BEEN IN TOUCH DIRECTLY WITH CUMMINS.

2. STATUS REPORT WAS TO HAVE BEEN GIVEN BY GIGEL CRISTEA, DIRECTOR OF MFT'S COOPERATION DIRECTORATE, BUT AS HE WAS DETAINED IN A MEETING, VALERIU BARBULESCU, DEPUTY DIRECTOR GENERAL IN MINISTRY OF HEAVY MACHINE BUILDING, PRESENTED ROMANIAN POSITION. ALSO PRESENT WERE ADRIAN GHEORGHIU, DIRECTOR, MFT, AND GHEORGHE STROIA, COUNSELOR, MFT.

3. BARBULESCU BEGAN BRIEFING BY SAYING APOLOGETICALLY THAT HE REALIZED ROMANIAN SIDE HAD BEEN TARDY IN RESPONDING BUT THAT ADDITIONAL DETAILED ANALYSES OF CUMMINS OFFER HAD BEEN NECESSARY BEFORE A REPLY COULD BE GIVEN. RESULT OF ANALYSES WAS THAT LATEST CUMMINS PROPOSAL IS NOT ECONOMICALLY ATTRACTIVE TO ROMANIAN SIDE -- "NOT AS ATTRACTIVE AS THE OFFERS OF OTHER FIRMS WITH WHICH WE ARE DISCUSSING SIMILAR PROJECTS" -- BUT ROMANIA REMAINS INTERESTED IN CONTINUING DISCUSSIONS WITH CUMMINS, HOPING THAT A MORE ATTRACTIVE

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OFFER MAY BE SUBMITTED. THE FOLLOWING BASIC PROBLEM AREAS

REMAIN:

(A) THE 35 PERCENT DISCOUNT ON ENGINES TO BE PURCHASED BY CUMMINS IS TOO HIGH AND SHOULD BE REDUCED TO 15 PERCENT.

(B) PRICES OF SPARES AND SUBASSEMBLIES SHOULD NOT BE CALCULATED ACCORDING TO SPARE PARTS LIST BUT ON CKD BASIS AND SHOULD BE THE SAME WHETHER THE PARTS ARE BEING SOLD TO THE ROMANIAN OR THE AMERICAN PARTNER.

(C) TECHNICAL DOCUMENTATION FOR FUEL INJECTION AND TURBOCHARGER SHOULD BE SUPPLIED FROM THE BEGINNING OF THE PROJECT -- EVEN IF IT IS AGREED THAT PRODUCTION OF THESE COMPONENTS WILL NOT BEGIN UNTIL LATER -- BECAUSE OTHERWISE CUMMINS WOULD HAVE THE CAPABILITY OF RENDERING THE ENTIRE ASSEMBLY LINE AND STOCK OF ENGINES USELESS BY WITHHOLDING THESE VITAL PARTS.

(D) TECHNICAL DOCUMENTATION SHOULD BE PROVIDED IN THE METRIC SYSTEM.

(E) CUMMINS SHOULD RECONFIRM ITS COMMITMENT TO PURCHASE A CERTAIN NUMBER OF ENGINES PER YEAR, AS ALREADY DISCUSSED.

4. BOTH BARBULESCU AND GHEORGHU WERE APOLOGETIC THROUGHOUT ABOUT TARDINESS OF ANSWER AND EXPRESSED HOPE THAT MOVEMENT ON CUMMINS' PART IN DIRECTION INDICATED ABOVE WOULD BRING ABOUT MEETING ON COMMON GROUND. BARBULESCU SAID, HOWEVER, THAT PRESENT CUMMINS OFFER, PARTICULARLY WITH 35 PERCENT REPURCHASE DISCOUNT, WOULD MEAN SALE OF ENGINES AT BELOW PRODUCTION COST AND COULD CONSEQUENTLY, BECAUSE ROMANIA WOULD CONTINUE FOR SOME TIME TO BY SPARES AND SUBASSEMBLIES FROM CUMMINS FOR DOLLARS, IMPOSE A HARD-CURRENCY DRAIN ON ROMANIA.

5. EMBASSY OFFICER WAS CALLED IN A FEW HOURS AFTER I HAD SPOKEN BY PHONE WITH BOTH PATAN AND PUNGAN ON THE BASIS OF REFTEL B (PUNGAN THOUGHT HE RECALLED A MESSAGE HAVING GONE TO CUMMINS AT THE END OF LAST WEEK). IN ADDITION TO FOREGOING INFORMATION BEING CONVEYED, WOULD ALSO APPRECIATE MY OWN EVALUATION WHICH FOLLOWS BEING PASSED TO HACKETT AND BOLL. BASED ON MY CONVERSATIONS YESTERDAY WITH PUNGAN AND PATAN AS WELL AS OUR EARLIER EXPERIENCE ON THE CUMMINS PROJECT I REMAIN CONVINCED THAT THERE IS HIGH LEVEL PREFERENCE FOR WORKING OUT AN ARRANGEMENT WITH CUMMINS IF AT ALL POSSIBLE. AREAS OF LIMITED OFFICIAL USE

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ROMANIAN CONCERN IDENTIFIED ABOVE WILL BE FAMILIAR TO CUMMINS, MOST RECENTLY FROM THE HACKETT VISIT. WHILE I OBVIOUSLY CAN OFFER NO GUARANTEE, MY FEELING IS THAT THE ROMANIAN SIDE IS SUFFICIENTLY INTERESTED IN TRYING TO WORK OUT A MAJOR PROJECT IN THE MACHINE BUILDING AREA TO MAKE CONSIDERABLE EFFORT STILL TO REACH AN AGREEMENT WITH CUMMINS. ON THE OTHER HAND I AM ALSO CONVINCED THAT THERE ARE AREAS WHICH

STILL REPRESENT GENUINE PROBLEMS FOR THEM. IF CUMMINS SEES ANY ROOM FOR FURTHER DISCUSSION ON ANY OF THESE AREAS I WOULD URGE THEY CONSIDER HAVING HACKETT AND BOLL RETURN.

6. WOULD APPRECIATE BEING INFORMED OF CUMMINS' REACTION TO ROMANIAN POSITION. WE STAND READY TO TRANSMIT CUMMINS REPLY TO ROMANIAN SIDE OR ASSIST IN WHATEVER WAY WE CAN.  
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## Message Attributes

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